

**REPORT TO THE TWENTY SECOND LEGISLATURE
STATE OF HAWAII
REGULAR SESSION OF 2002**

**Expenditure Report
Hawaii Convention Center
FY 00-01 and FY 01-02
In Response to Act 259, SLH 2001**

**Prepared by the
HAWAII TOURISM AUTHORITY**

January 2002



This expenditure report is prepared pursuant to Act 259, SLH 2001, which requests a detailed report for expenditures comparing budget to actual for FY 00-01 and FY 01-02 (four months – actual, eight months forecasted) with accompanying explanations for variances for the Hawaii Convention Center debt service and operations.

It has been estimated by the Department of Budget and Finance that approximately \$24.5 million/year is the Hawaii Convention Center's share of debt service.

Hawaii Convention Center / SMG

Fiscal Year Ending 06/30/2001

The total gross revenues budgeted for the year were \$7,727,202. The actual gross revenues were \$8,858,886 which represents a positive variance of \$1,131,684. The positive variance can be attributed mainly to \$791,957 in greater than anticipated food & beverage revenues for the larger mainland based conventions. There were also material positive variances in rent (\$75,591), parking (\$53,807), telecommunication services (\$119,627), equipment rental (\$41,219) and interest income (\$34,636).

The total gross expenditures budgeted for the year were \$11,861,255. The actual gross expenditures were \$12,293,404 which represents a negative variance of \$432,149. The negative variance is a result of the greater than budgeted activity in the building. The material negative variances were for service expenses (\$182,929), food & beverage expenses (\$51,378), event parking related expenses (\$18,425) and materials & services (\$235,701). There was also a material positive variance in net labor expenses of \$150,878.

Overall the budgeted net cash flow was \$4,134,053. Hawaii Convention Center/SMG operations ended the year with a net negative cash flow of \$3,434,518 or a positive variance cash flow variance of \$699,535.

Hawaii Convention Center
Summary Income Statement
Fiscal Year Ending 06/30/2001

	Actual	Budget	Variance
Rent	1,143,452	1,067,861	75,591
Service Income	207,261	384,804	(177,543)
Service Expense	(978,977)	(796,048)	(182,929)
Direct Event Income	371,736	656,617	(284,881)
Ancillary Income			
Gross F&B Revenues	6,496,386	5,704,429	791,957
Direct Food & Beverage Expense	(3,548,826)	(3,497,448)	(51,378)
Gross Parking	197,238	147,905	49,333
Parking Expense	(40,611)	(22,186)	(18,425)
Gross Telecom	201,127	81,500	119,627
Telecom Expense	-	(24,450)	24,450
Electric	69,931	90,125	(20,194)
A/V	-	(23,301)	23,301
Internet Service Gross	151,504	47,970	103,534
Internet Service Expense	103,911	-	103,911
Equipment Rent	(65,340)	-	(65,340)
Other Ancillary	162,999	121,780	41,219
	2,053	1,700	353
Total Ancillary	3,730,372	2,628,024	1,102,348
Total Event Income	4,102,108	3,284,641	817,467
Other Income			
Interest	91,036	56,400	34,636
Non Event Parking	26,902	22,128	4,774
Miscellaneous	5,086	600	4,486
Total Other Income	123,024	79,128	43,896
Adjusted Gross Income	4,225,132	3,363,769	861,363
Indirect Expenses			
Labor (Net)	2,613,746	2,764,624	(150,878)
Materials & Services	3,298,858	3,063,157	235,701
F&B Overhead Expense	586,737	635,898	(49,161)
Management Fees	358,074	359,766	(1,692)
Depreciation	-	180,000	(180,000)
Excise Tax	473,152	474,377	(1,225)
Total Expenses	7,330,567	7,477,822	(147,255)
Net Operating Income/(Loss)	(3,105,435)	(4,114,053)	1,008,618
Cash Flow Adjustments			
Depreciation	-	180,000	(180,000)
Fixed Asset Purchases	(329,083)	(200,000)	(129,083)
Adjusted Net Operating Income/(Loss)	(3,434,518)	(4,134,053)	699,535
Gross Building Revenues	2,362,500	2,022,773	339,727
Gross Building Expenditures	8,157,841	7,727,909	429,932
Building Net Cash Flow	(5,795,341)	(5,705,136)	(90,205)
Gross F&B Revenues	6,496,386	5,704,429	791,957
Gross F&B Expenses	4,135,563	4,133,346	2,217
F&B Net Income/(Cash Flow)	2,360,823	1,571,083	789,740
Total Facility Net Cash Flow	(3,434,518)	(4,134,053)	699,535
Total Gross Revenues	8,858,886	7,727,202	1,131,684
Total Gross Expenditures	12,293,404	11,861,255	432,149
Total Facility Net Cash Flow	(3,434,518)	(4,134,053)	699,535

Hawaii Convention Center / SMG

Fiscal Year Ending 06/30/2002

The events of September 11th have greatly affected the activity level at the Hawaii Convention Center. While there have only been a few cancellations, a number of the events at the building have experienced an attrition in attendance. This attrition and a lower than budgeted level of mainland conventions has caused a significant anticipated negative variance in the revenues based on actual financial information from the Hawaii Convention Center from July through December 2001 and forecasted activity levels from January through June 2002.

The forecasted total revenues of \$7,469,129 when compared to the budgeted revenues of \$8,242,304 represent a negative variance of \$773,175. The material areas of this negative variance include food & beverage revenues (\$801,639), rent (\$103,198), service income (\$14,863), equipment rental (\$14,362) and audiovisual commissions (\$12,982). There are also material areas of positive revenue variances forecasted for the year that included parking (\$46,876), telecommunication services (\$59,539), electrical services (\$58,259) and Internet services (\$9,438).

The forecasted total expenditures of \$12,080,226 when compared to the budgeted expenditures of \$12,227,147 represent a positive variance of \$146,921. This positive variance is a result of lower levels of expenditures related to events than budgeted.

Overall the fiscal year forecasted cash negative flow is \$4,611,097. In comparison to the budgeted negative cash flow of \$3,984,843 this represent a negative variance of \$626,254. The Hawaii Convention Center/SMG continues to monitor expenditures on an ongoing basis and adjust when possible without affecting the level of service.

Hawaii Convention Center
Summary Income Statement
Fiscal Year Ending 06/30/2002

	Forecast	Budget	Variance
Rent	1,453,255	1,556,453	(103,198)
Service Income	352,049	366,912	(14,863)
Service Expense	(921,332)	(866,834)	(54,498)
Direct Event Income	883,972	1,056,531	(172,559)
Ancillary Income			
Gross F&B Revenues	4,700,995	5,502,634	(801,639)
Direct Food & Beverage Expense	(3,016,662)	(3,501,485)	484,823
Gross Parking	180,378	140,227	40,151
Parking Expense	(34,069)	(21,034)	(13,035)
Gross Telecom	207,989	148,450	59,539
Telecom Expense	(54,585)	(44,535)	(10,050)
Electric	211,734	153,475	58,259
	(138,647)	(30,844)	(107,803)
A/V	73,788	86,770	(12,982)
Internet Service Gross	28,188	18,750	9,438
Internet Service Expense	-	-	-
Equipment Rent	173,593	187,955	(14,362)
Other Ancillary	3,214	1,550	1,664
Total Ancillary	2,335,916	2,641,913	(305,997)
Total Event Income	3,219,888	3,698,444	(478,556)
Other Income			
Interest	53,400	56,400	(3,000)
Non Event Parking	28,873	22,128	6,745
Miscellaneous	1,673	600	1,073
Total Other Income	83,946	79,128	4,818
Adjusted Gross Income	3,303,834	3,777,572	(473,738)
Indirect Expenses			
Labor (Net)	3,113,739	3,021,477	92,262
Materials & Services	3,003,410	2,942,562	60,848
F&B Overhead Expense	749,720	749,599	121
Management Fees	365,877	359,766	6,111
Depreciation	-	222,000	(222,000)
Excise Tax	462,175	489,011	(26,836)
Total Expenses	7,694,921	7,784,415	(89,494)
Net Operating Income/(Loss)	(4,391,087)	(4,006,843)	(384,244)
Cash Flow Adjustments			
Depreciation	-	222,000	(222,000)
Fixed Asset Purchases	(220,010)	(200,000)	(20,010)
Adjusted Net Operating Income/(Loss)	(4,611,097)	(3,984,843)	(626,254)
Gross Building Revenues	2,768,134	2,739,670	28,464
Gross Building Expenditures	8,313,844	7,976,063	337,781
Building Net Cash Flow	(5,545,710)	(5,236,393)	(309,317)
Gross F&B Revenues	4,700,995	5,502,634	(801,639)
Gross F&B Expenses	3,766,382	4,251,084	(484,702)
F&B Net Income/(Cash Flow)	934,613	1,251,550	(316,937)
Total Facility Net Cash Flow	(4,611,097)	(3,984,843)	(626,254)
Total Gross Revenues	7,469,129	8,242,304	(773,175)
Total Gross Expenditures	12,080,226	12,227,147	(146,921)
Total Facility Net Cash Flow	(4,611,097)	(3,984,843)	(626,254)